



4-13-2012

A Proposal for the Book of “Embrace the New Normal—China and the USA”

Xuejuan Zhang

University of Pennsylvania, xuejuan@sas.upenn.edu

Follow this and additional works at: http://repository.upenn.edu/od_theses_msod

Zhang, Xuejuan, "A Proposal for the Book of “Embrace the New Normal—China and the USA”" (2012). *Master of Science in Organizational Dynamics Theses*. 52.

http://repository.upenn.edu/od_theses_msod/52

Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania

Advisor: Nancy Bauer

This paper is posted at ScholarlyCommons. http://repository.upenn.edu/od_theses_msod/52

For more information, please contact libraryrepository@pobox.upenn.edu.

A Proposal for the Book of “Embrace the New Normal—China and the USA”

Abstract

This thesis consists of a new book proposal regarding the emerging New Normal both in China and the United States and one sample chapter (the first chapter) of this new book which studies fairness and justice in contemporary China from an evolutionary perspective. This book itself aims to examine the key factors that may contribute to the New Normal from both an insider view and an outsider view and to provide contextual intelligences about China and the United States which will better facilitate the narrative of the New Normal.

Comments

Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania

Advisor: Nancy Bauer

A PROPOSAL FOR THE BOOK OF
“EMBRACE THE NEW NORMAL—CHINA AND THE USA”

by

Xuejuan Zhang

Submitted to the Program of Organizational Dynamics
in the Graduate Division of the School of Arts and Sciences
in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Organizational Dynamics at the
University of Pennsylvania

Philadelphia, Pennsylvania

2012

A PROPOSAL FOR THE BOOK OF
“EMBRACE THE NEW NORMAL—CHINA AND THE USA”

Approved by:

Nancy Bauer, Ph.D., Advisor

Jean-Marc Choukroun, Ph.D., Reader

Fengming Liu, JD, Reader

ABSTRACT

This thesis consists of a new book proposal regarding the emerging New Normal both in China and the United States and one sample chapter (the first chapter) of this new book which studies fairness and justice in contemporary China from an evolutionary perspective. This book itself aims to examine the key factors that may contribute to the New Normal from both an insider view and an outsider view and to provide contextual intelligences about China and the United States which will better facilitate the narrative of the New Normal.

ACKNOWLEDGEMENTS

Appreciation is extended to Dr. Nancy Bauer, my capstone course advisor, to Dr. Jean-Marc Choukroun, and to Mr. Fengming Liu, my capstone readers, for their interest and guidance during the preparation of this document. I would also like to thank the following people for their support, advice, and encouragement throughout my tenure in the Organizational Dynamics program:

Dr. Larry Starr

Professor Jacques L. DeLisle

Dr. Jason Patent

Mr. Tao Sun

Meixi Michelle Sun

Jingxi Jessica Sun

Mr. Jun Yao

LIST OF TABLES

TABLE		Page
1	Chronology of economic reforms in China	10

LIST OF FIGURES

FIGURE	Page
1 GDP (1960-2009)	31
2 Annual GDP Growth Rate (1962-2009)	31
3 China Export and Import	32
4 China's Share in World Trade (1970-2009)	32
5 China Total Foreign Capital Used (1985-2004)	32
6 Industry Composition of China's GDP (1970-2007)	33
7 Industry Composition of World Economic Output (1970-2007)	33
8 Industry Composition of World Economic Output (1970-2007)	34
9 GDP per capita (1960-2009)	34
10 Percentage of Urban Population (1960-2009)	35
11 Chinese Urban Household's Holding Durable Goods	35
12 Current Account Deficit (1982-2008)	36
13 Current Account Deficit (1982-2008)	36
14 Regional GDP per Capita	37

TABLE OF CONTENTS

	Page
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	v
LIST OF FIGURES	vi
INTRODUCTION	1
SAMPLE CHAPTER	4
REFERENCES	29
APPENDIX	31

INTRODUCTION

Many authors and researchers have predicted that the 21st century will witness the world power shift from west to east since the Industrial Revolution. China's fast rising from its historical downturns in the last the three decades is unique in several ways. The purpose of this book is to address the emerging new normal in China and U.S. by exploring the contributing factors to the emerging new normal through different lenses. The New Normal is defined as the global economy and dissent spread through social networks along with political systems everywhere struggling to understand and cope. The two nations/states ties to each other economically, however with distinct cultures, histories, and political systems. By contrasting and comparing the (possibly different) understandings toward each subject, the authors attempt to reveal the "blind spots" in understanding each other's culture, traditions, the developments of economy and society over the last three decades and the prospects for the future. The authors believe that those "blind spots" will be important insights that help people in both countries to better embrace the emerging new normal.

For the scope of this book, the authors are going to first pick out the common subjects, such as fairness and justice, stability and flexibility, and then discuss the perceptions and evolution of those concepts, the implications for economic and social development and their contributions to the new normal. The final list for those common subjects is still under discussion. Now my list for those factors is as follows.

- Fairness and Justice

- Stability and Flexibility
- The role of the government
- The tangible and intangible resources
- Prospects for power diffusion
- Embracing the New Normal

For the basic approach, the authors plan to adopt a dialogue across generations and across cultures, that is, a separate discussion on each subject will be provided by each author then followed with a summary on highlighting the “blind spots” and possible reconciliation of those “blind spots”.

The authors believe that the culture lens will play a very important role in our analysis. For China, I think that it will evolve to become a “civil society”, where a modernized legal / law system and a new cultural system may play equally important roles. This new culture calls for new narratives for Chinese traditions and cultures, such as collectivism/individualism, within a new context. For instance, the traditional functioning of family weakens in Chinese cities. The concept of “community”, both in the real world and cyber world, is emerging. For Chinese people, they are beginning to learn to be a qualified “citizen”, e.g. thinking independently and acting independently. In a fast changing environment such as China, a new cultural system would help them to justify their personal goals and means, to be more responsible and constructive participants in public issues, and also help to align personal goals with the ultimate goal

of the nation. And one important question to both the Chinese government and the Chinese people is how to use the fast accumulating power wisely by preventing moving from under-confident to over-confident.

SAMPLE CHAPTER OF THE BOOK OF
“EMBRACE THE NEW NORMAL—CHINA AND THE USA”
FAIRNESS AND JUSTICE IN CONTEMPORARY CHINA: AN EVOLUTIONARY
PERSPECTIVE

Introduction

Fairness and justice are two closely related concepts that may have different narratives in different areas, such as philosophy, ethics, politics, and economics. I have deliberately chosen two contemporary international scholars whose works are honored by both Americans and Chinese. Sandel’s (2009) framework reveals that fairness and justice is a multi-dimensional problem. And this property is closely related to the complexities of fairness and justice issues in China. For instance, the drastic economic and social changes may affect fairness and justice in different channels. Sen’s (2009) framework emphasizes that fairness and justice is a dynamic progress instead of an absolute concept. This is also particularly true for China’s development. We will demonstrate that fairness and justice is indeed a relative concept, which may have different interpretations and emphasis at different stages of China’s development in the last 30 years.

- **Definition of fairness and justice**

At the surface, justice means giving each person what he or she deserves. Justice has usually been used with reference to a standard of “what is right”; fairness often has been used with regard to an ability to judge without reference to one's feelings or interests. Because those two concepts are closely related, fairness and justice are often used interchangeably today. (Velasquez, Andre, Shanks, and Meyer, 1990)

More broadly, theories regarding fairness and justice can be classified in three approaches: maximization of welfare, freedom and individual rights, and virtue and a good life. (Sandel 2009, p19-20)

- **Approaches in reasoning about justice and fairness**

There are two main approaches in reasoning about justice and fairness since the European Enlightenment in the eighteenth and nineteenth centuries: transcendental institutionalism and realization-focused comparison. (Sen 2009, p.7) The transcendental institutionalism approach focuses on identifying perfect justice and concentrates on getting the institution right in searching for such perfection. This approach aims to establish the right institution and rules for a perfect society through constructing a hypothetical ‘social contract’ against chaos in a society and identifying the choice of institutions during such construction. In contrast to searching an ex-ante perfect society, the realization-focused comparison focuses on the societies that already exist or will emerge. Through the comparison of realized accomplishments, the advancement or retreat of justice can be identified. As Sen argued, one inherent deficiency for the transcendental institutionalism approach is that “if a diagnosis of the perfectly just social arrangement is incurably problematic, then the entire strategy can be deeply impaired” (Sen 2009, p.11).

It is becoming increasingly hard for the western countries and their people to ignore the rising of China in the 21st century. It is also interesting to see that the western world holds two dichotomous prospects about China at the same time: either China will rule the entire world or China will collapse eventually, sooner or later. Both sides seem to have

abundant and justified reasons to support their own arguments. Indeed, through drastic transition in the last three decades, China has created as many problems and reactions against the transition as the astonishing achievements that it has accomplished. I consider those two countervailing yet intertwined driving forces as the Yang and Yin of contemporary China's development. Among those challenges that China is facing, we pick out the topic of fairness and justice, which is a significant contributing factor to the Yin for contemporary China.

Fairness and justice is a complicated problem enriched by the wisdom and debates from a broad range of academic disciplines such as philosophy, politics, economics, law, ethics, culture, and history as well. Fairness and justice is also real and basic to each individual in a society. Although not all of the citizens can digest the abstract and delicate concepts and principles, each individual has a good nose to sense the fairness and justice in his daily life.

We think that fairness and justice is a multidimensional problem. Basically, an individual's sense of fairness and justice is embedded in his economic, social, and cultural rights. Our exploration of fairness and justice in contemporary China is therefore two-fold: economic perspective, social, and cultural perspective. The two fundamental issues in an economy are efficiency and fairness. From the economic perspective, there is a tradeoff between efficiency and fairness. Particular to China's development, the previous reforms and open-up since 1978 have helped China to greatly improve its economic efficiency in terms of economic growth and economic size. Especially, China's open-up can be viewed as its embracing globalization through progressive liberalization of foreign trade and foreign direct investments. One milestone of China's such endeavors

is its accession to the World Trade Organization in 2001. China's export soars from \$21 billion in 1978 to \$1.6 trillion in 2010, which makes China the largest exporter in the world (World Trade Organization 2011, p24). But the over-emphasis on the "GDP-centric" approach also exacerbated "fairness and justice", such as income distribution and unbalanced regional development. From the social and cultural perspective, fairness and justice are closely related to the recognition of social class and social mobility. Fairness and justice also rely on the formation of the moral value and the codes of social conducts based on such values.

We also think that fairness and justice is by nature a dynamic problem. From the observed developments of Chinese economy and society in the past three decades, it is evident that fairness and justice have different narratives and emphasis at different stages of its development. Therefore, the discussion of fairness and justice has to be based on the comparison between different circumstances under specific socioeconomic contexts. This is similar to Amartya Sen's "realization-focused comparison" approach (Sen. 2009, p.7), e.g. comparing the advancement and retreat of fairness and justice without presuming the idealized concepts and principles.

If the global audiences pay attention to the opening ceremony of the 2008 Beijing Olympic Games, they will find that Chinese people used a specific session to demonstrate to the entire world the historical evolution of the calligraphic style of one single Chinese character: "和" (*he*), which means *harmony*. There is a very justified reason for Chinese people to choose this particular one out of thousands of commonly used Chinese characters, because there may not be other Chinese characters that carry such richness of both historical and contemporary connotations and interpretations.

In China's traditional culture, the most idealized society is characterized as the Great Harmony (*da tong*). This is one of the fundamental concepts of traditional Chinese philosophy describing the relationship of the individual with the society and with the universe and to construct the code of social conduct (Nisbett 2003, p.50). In terms of the means and the ends of the idealized society they should be built on fairness and justice. Therefore, "fairness and justice" have been repeatedly mentioned in classic Chinese philosophy texts, such as The Classic of Rites (*Li Ji*) and The Analects of Confucius (*Lun Yu*).

- When the Grand Course was pursued, all under heaven are equal. (大道之行也, 天下为公) (*Li Ji*)
- (The lord) concerns himself not with scarcity but rather with uneven distribution. (不患寡而患不均) (*Lun Yu*)

This concept also has more profound contemporary interpretations. According to the President of Chinese Communist Party, Hu Jin Tao (2005:3), a harmonious society is a society that is "democratic and ruled by law, fair and just, trustworthy and fraternal, full of vitality, stable and orderly, and maintains harmony between man and nature." This concept has actually been formulated as the ultimate economic and social development goals in China's 12th five-year plan passed by China's National People's Congress, held in March 2011, which will set the blueprint for the development between year 2011 and year 2015. At the heart of this plan, it is a change of the economic growth model that has been adopted by China for nearly 30 years.

Economic Perspective--Efficiency and Fairness

- **The Motivation for the Great Transition**

To me, China's initiative of its transition in year 1978 arose from the entire nation's strong will to survive and to renovate the society. Inside China, Chinese people were really tired of the relentless and exhausting political movements, especially for the Cultural Revolution between 1966 and 1976 which caused disasters to numerous individuals and to the entire country. At the same time, globalization had been on its way. The information technology revolution or Second Industrial Revolution greatly improved the productivity and the living standards in the western countries. Particularly, East Asian countries, such as Japan, South Korea and Singapore which shared the same Confucian culture and similar or even worse economic endowment, also made remarkable economic growth and created the East Asia Miracle. In terms of the economic size and growth, the living standard, technology and nearly every other index that are commonly used to measure development, China was completely left behind and far away from modernity. All those realities forced China, both the leader and the general public, to think about one essential question: why the gaps between China and the rest of the world did not decrease after the adoption of socialism for 30 years? The general consensus was that reform is the only way to avoid the immediate crisis to the entire nation. As Deng Xiaoping, the designer and promoter of the great transition said "Development is the first priority" and redefine "the criteria of good governance in terms of the well-being and development of the ordinary person" (Kissinger 2011, p.804). This judgment was proven to be right twelve years later when the entire world witnessed the collapse of the Soviet Union.

- **The Great Transition of China after 1978**

Different from other transitional economies, China adopted a progressive change and pragmatic approach in its transition. The typical approach is to start with the easy one then move to a more difficult one; to do some experiments first at a small scale then promote to a large scale once the experiment is proven to be valid. Deng Xiaoping, the designer of the reform, manifested this approach as “feeling the stones while crossing the river” (*mo zhe shi tou guo he*). The reason to do so was because it was a necessary and sometimes the only option to keep the costs of transition at a controllable level, among which the political cost was a big consideration. In retrospect, it is easier for us, even young Chinese, to take the reform and open-up for granted. But there were great debates, swing and strong resistance to the change, such as introduction of free-market principles. To distinguish between realism and idealism was a painful and very costly process. Finally, Deng Xiaoping ended the debates over his reform program including “many American economic and social principles” (Kissinger 2011, p.805) in his “Southern Tour” in 1992, and 10 years later “the debate was no longer over whether this was the proper course but rather over the impact of an emerging, dynamic China on world order and the global economy”. (Kissinger 2011, p.808)

Table 1: Chronology of economic reforms in China

1978	“Open door” policy initiated, allowing foreign trade and investment to begin
1979	Decision to turn collective farms over to households Township and village enterprises (TVEs) given stronger encouragement
1980	Special economic zones created
1984	Self-proprietorships (<i>getihu</i>) encouraged, of less than 8 persons
1986	Provisional bankruptcy law passed for state-owned enterprises
1987	Contract responsibility system introduced in state-owned enterprises

1988	Beginning of retrenchment of TVEs
1990	Stock exchange started in Shenzhen
1993	Decision to establish a “socialist market economic system”
1994	Company law first introduced
1995	Shift to contractual terms for state-owned enterprise staff
1996	Full convertibility for current account transactions
1997	Plan to restructure many state-owned enterprises begins
1999	Constitutional amendment passed that explicitly recognizes private ownership
2001	China accedes to the World Trade Organization (WTO)
2002	Communist party endorses role of the private sector, inviting entrepreneurs to join
2003	Decision to “perfect” the socialist market economic system
2004	Constitution amended to guarantee private property rights

Source: OECD Economic Survey of China 2005

- **How China embraced and benefited from globalization?**

China has experienced fast economic growth in the last three decades. China’s GDP increased from \$148 billion US dollars in 1978 to \$4.985 trillion US dollars in 2009, and maintained a steady annual growth rate at about 10% from 1990 to 2009. (Figure 1 and Figure 2) Coping with economic growth, China has also experienced fast industrialization, urbanization, and growth in information technology. As a result of the domestic industrialization, China’s total economic structure has undergone a significant change. That is, a constantly decreasing proportion of first/agricultural industry in total China’s GDP, from 28% in 1978 to 11% in 2007, and a constantly increasing proportion of third/service-based industry in total China’s GDP, (Figure 6) from 24% in 1978 to 42% in 2007, which is similar to the worldwide trend. (Figure 7) The secondary/manufacturing industry remains a significant portion in China’s economy and maintains an average proportion of 45% in China’s total GDP from 1978 to 2007.

Coping with the fast economic expansion, China experienced significant economic structural change. In becoming a prime producer in primary industrial materials, such as steel, cotton, cement, China also significantly caught up in information and communication technology (ICT) reflected in the expenditures in ICT in the past decade. (Figure 8) Moreover, China's mobile phone users reached 85.9 million; internet users reached 45.7 million at the end of year 2010 (Ministry of Industry and Information Technology of China). In terms of urbanization, the proportion of the urban population to total population in China has increased from 18.72% in 1978 to 44% in 2009. (Figure 10) In terms of globalization, China's total exports and imports increased from \$20.6 billion US dollars in 1978 to \$ 1154 billion US dollars in 2009. (Figure 3) Accordingly, China's share in world trade has increased from 1.64% in 1978 to 17.67% in 2009. (Figure 4) China has also become one of the largest countries attracting foreign direct investment. (Figure 5) Besides foreign trading and foreign direct investment, China also benefits from modern technology and management skills and practices introduced by physical financial capital. (Chow, 2006)

Chinese people directly benefit from the fast expanding economy and improving society. For instance, the literacy rate of China adults (over 15) is 94%. (World Bank) China's GDP per capita has increased from \$154 current US dollars in 1978 to \$ 3743 current US dollars in 2009. (Figure 9) Individual consumption has enjoyed annual growth rate of 14% from 1978 to 2008. (China Statistical Year Book 2009) The living standard of Chinese people, especially those of the urban population, has been greatly improved. For example, some "luxury goods" as considered before 1978, such as television, refrigerator, and air conditioner have become living "necessities." (Graph 11) Chinese people also

benefit from the diffusion of ICT and enjoy modern information technology products such as computer, mobile phone and internet. Over the past three decades, tens of millions of Chinese have got away from poverty and starvation and enjoyed more freedom, such as migration, selection, and education. More notably, Chinese people have more chances to embrace the outer world and enjoy different products and cultures from different countries, ranging from Coca-Cola, Nike sneakers, Apple computers to NBA games, western (Hollywood) movies. In short, China has made remarkable achievements not only in feeding its 1.3 billion people but also in bringing them more prosperous modern lives.

- **China's Impact on Globalization**

The fast development of China, especially the expansion in exports in the past ten years, imposes challenges to the current globalization system. For example, there is concern for sustainability of the current world trade system reflected in the current account deficits of China's largest trading partner, the United States. (Figure 12) The United State's current account deficit hit a record high at -\$ 803.548 billion US dollars in 2006. This raises lengthy inter-country and intra-countries debating over industrial and trading policy and currency exchange rate. As the world's largest producer (for example, steel, rare earth) and manufacturer(for example, textiles, toys), China's increasing demands for natural resources also raise the concerns in worldwide natural resource (energy, raw iron ore) and environment protection. In my opinion, these are the symptoms of the fast industrialization (including first and second industrialization) and modernization of a country with over 1.3 billion people, which have never been experienced in human

history. This is a systemic problem that requires international cooperation for a very long period. But this also provides external pressures for China to reexamine the current development module that has been adopted for three decades.

From a large scale, China's development is part of the development of the emerging market, a phrase describing the under-developed countries since late 1980s. Because the developments of these countries directly benefit from and in turn reinforce the globalization, largely economic, a special term, "BRICs", was invented in 2002 by O'Neill, the chief economist at Goldman Sachs, to describe the rising of the non-western countries including Brazil, China, Russia and India, which were considered as "marginal players" in world economy and have greatly impacted the landscape of world economy since 1980s. As O'Neill (Tett, 2010) notes, "What 9/11 told me was that there was no way that globalization was going to be Americanization in the future – nor should it be. In order for globalization to advance, it had to be accepted by more people ... but not by imposing the dominant American social and philosophical beliefs and structures." In my opinion, the greatest contribution of China's story is to provide the under-developed countries an alternative perspective to address the questions regarding a nation's social and economic transformation and modernization, such as how to embrace globalization, how to actively take a position in the global economy based on comparative advantages, how to transform and cultivate both the government and private sectors in order to achieve social and economic development.

- **A Tradeoff between Efficiency and Fairness**

The centric issue of China's economic reform is to improve the efficiency of the economic system by introducing free-market principles under the guise of the principle that efficiency is the first priority with due consideration to fairness (Huang, 2011). The historical context for this principle is to cultivate the private sector economy and transform the less efficient state-owned enterprises. Innovations ranging from the simple production of consumer goods to the education system and public policies are the main contributors to China's economic growth; among the different players including consumers, entrepreneurs, workers and government, the Chinese entrepreneurs play the most important role in such innovations. (Chow 2010, p4-5) Those self-motivated entrepreneurs along with their enterprises greatly improve economic efficiency at the micro level. But while the Chinese entrepreneurs are becoming the rising new rich, income inequality also increases. According to *Hurun List*, or known as *China Rich list*, (the most famous list to track the fast changes of China's high net worth individuals founded by Rupert Hoogewerf in 1999), in 2010 the richest Chinese entrepreneur controls the asset of RMB 80 billion Yuan (roughly 12.3 billion US dollars), and at the bottom at the list, the hundredth richest Chinese entrepreneur controls the asset of RMB 9.5 billion yuan (roughly 1.5 billion US dollars) (www.hurun.net). Considering that there was no private enterprise before early 1980s in China, such wealth accumulation is significant. Considering that almost every ordinary Chinese person's household wealth was at the same level 30 years ago, such wealth accumulation has tremendous physical impacts on the sense of fairness. Another example for the tradeoff between efficiency and fairness is the restructuring of the state-owned enterprises in China. Starting in 1997, the

restructuring of the state-owned enterprise was carried out in China. One adopted practice was to lay off the redundant workers in order to improve the efficiency. Massive layoffs and incomplete social security and healthcare systems turned the laid-off workers into a vulnerable group and caused social unrests. Further, the fast economic developments in urban areas, such as Beijing, Shanghai, and the coastal provinces, such as Guangdong, further increased the income gaps between different social classes and different areas. The Chinese economy as a whole is apparently more efficient than that before the open-up, but the advancements in improving the common goods and social welfare is slower than the pace of the economy.

- **Behind Apple and the “Cheap Labor”**

Apple’s innovative products, such as iPhone, iPad have become symbolic icons of the American’s technology innovation. Because those products are mainly produced overseas, Apple also evokes the debates of the outsourcing practices, taxation and tariff, employment, and manufacturing job creation in U.S. Throughout the debates on Apple’s practices, China, as the major outsourcing dominator in manufacturing, is again an important part of the debates. An article published (January 22nd, 2012) in the New York Times brought this salient issue to the general public again. One of my American classmates asked me a question “why are Chinese workers willing to work for the payment of \$ 17 dollars a day (\$1.42 / hour for a 12-hour day)?” I sadly offered a short answer, because of poverty. Other deeper reasons behind this are the long existing gap between income in rural and urban areas in China and relatively slow development in the social security system, and legislation in employee protection. For instance, the minimum allowance requirement per month in Guongdong province in year 2009, 2010 and 2011

are RMB 860 (\$132), RMB 1030 (\$158), RMB 1300 (\$200). The absolute level is still low compared with the developed countries, but the relative growth is around 15% level, which is comparable to the economic growth. Even China's economy as a whole is the second largest in the world; the individual level is still low.

And I remembered that I asked the same question nearly 10 years before. Back to year 2000, when I graduated from the university, I worked for a state-owned electronic device manufacturer in China. Because this company required all new employees to work in the first line of the product for three months, I got the chance to work with the workers who were from the rural area and younger than me. They usually held high school diplomas and acquired the necessary skills from vocational schools. At that time, their salaries were at RMB 800 yuan (\$ 150) per month and worked for an 8-hour shift per day.

Working on the stream-line was so exhausting that I could barely handle it. One day, I asked a colleague who was an 18-year old girl about how she felt about her job. She replied, the salary was not high but much better than staying at home doing nothing. But rather than complaining about her current low salary, she talked to me about her future plans that she dreamt to start her own business of repairing household electronic devices, such as TV sets, once she accumulated enough experience.

The human rights debate about labor can easily let people ignore other aspects of China's competency in Apple's outsourcing. From the one innovative idea to the final marketable and reliable niche product involves a long chain of efforts in designing, which is called "scaling" by Andrew Grove or the commonly known "value chain". During this process, the know-how and experience accumulated from "trial-and-error" play equally important roles in transforming good ideas to good products. If we dig deeper by considering other

aspects related to the manufacturing, such as the packaging, transportation, and other infrastructure including electricity, telephone, internet, it is even clearer. Behind cost efficiency, it is a complex environment consisting of both hard elements (infrastructure, technology, land, and labor) and soft elements (education, legislations, and administrative system) that plays the pivotal role. If the labor cost is the single consideration, it would be the case that the industries within the coastal areas of China shall flood into the under-developed west regions where the labor cost is much lower. However, such industry transition does not happen at a large scale purely by market-driven initiatives. It only happened when the local environment is improved and is compatible with the coastal regions. While globalization makes the world more interconnected, the competition in business is the more comprehensive one involving different players and not only restricted to aspects, such as labor. As a consequence, the debate on fairness and justice can be more complicated when the world economy becomes increasingly integrated.

One possible solution to reviving US manufacturing industry is to increase the tariff on outsourcing and force the manufacturing jobs to flow back. I disagree with this. First, a foreseeable consequence is that the price of the product will increase. Put aside the fancy Apple products, consider the following scenario. What if the prices of the merchandises in Wal-Mart or Target increase by 20%? This is already a very low estimate considering the gap between the minimum allowances requirement in China and US. Who is going to afford the price increase, the consumer or the shareholders? Secondly, what is the price we are going to pay for the trade war that may be triggered by the tariff? Are we ready to embrace the collapse of free-trade and free-market principles? Is it fair to deprive the little girl's dream and the opportunities of people in the under-developed world? Do we

want a more inclusive globalization or a more exclusive one? Finally, what is the meaning for globalization while it is becoming more exclusive?

Social and Cultural Perspective—Civilization's DNA

- **Moving to a Fluid and Diversified Society**

Before China's reform and open-up, the class and stratification of Chinese society was relative simple. The main social classes included: peasant, worker, government officials and intellectuals. Such definition of social class is more a stratification based on "political status" rather than "economic status". (Li 2008) Because of economic structure and social management practices, such as the household registration, the China's social structure was relatively stable, but social mobility was also low due to lack of flows between different social classes. For instance, the Chinese peasants could not freely move to an urban area to find a job. For workers, the change of their employer (*dan wei*) was quite rare and difficult. The equalized political status, social recognition that was independent of individual's career and individual's wealth, and the equalitarianism in wealth distribution contributed to the physiological sense of "fairness and justice" at that time. But it should also be noted that there was a huge gap between the lives in urban areas and lives in rural areas. According to World Bank, China's urban population accounted for 18.72% of its total population at year 1978, that is, the vast majority of the Chinese population is living in the rural area. And the living standard was much lower in the rural area than in the urban area. Even in today's China after becoming the second largest economy in the world such gap is still considerable.

After 1978, the fast economic development created a fast rising force such as the private entrepreneurs, managers in foreign joint ventures and self-employed. Coping with this change, “in 2001, Jiang Zemin (*the former president of Chinese Communist Party*) coined the concept of ‘Three represents’, which was defined as the Communist party representing the most advanced culture, the most advanced elements, and the broad masses...used to justify the incorporation of the newly rich entrepreneurs into the Communist party”.(Goldman 2006, p.434) The most profound change to Chinese society is that stratification of social class is shifting from “political status” to “economic status”. The reform also lessened the rigid household registration and the employment policies and, therefore, improved the social mobility. Peasants can freely migrate to the urban area to search for employment opportunities or to start their own business. And workers are no longer bounded by the employer and have freer career options.

The drastic social change has both positive and negative effects to fairness and justice in contemporary China. On the one hand, the improving social mobility creates a relatively “fair” playground for Chinese people to climb up the social ladders by their own capabilities and endeavors, which directly contribute to the economic growth by allocating the human capital among different regions, industries, and companies. Being considered as the “elite” group by Chinese, the high social recognition of the new rich in China creates a strong exemplary effect, especially for the younger generations who are getting increasingly interested in starting their own businesses. On the other hand, the new rich who are dependent on government officials and accumulate through “rent seeking” and other forms of corruptions cause destruction of social justice and damage the credibility of the government. Moreover, while China’s society is becoming more

fragmented and fluid, it is also becoming more fragmented in terms of wealth and public resources distribution, which can in turn impair social mobility. A well-known phenomenon is the second generation of government officials or the new rich (*Guan er dai, fu er dai*) who gain unfair advantages in climbing the social ladders because of either their parent's privileges or net worth. The drastic change also creates the so-called vulnerable social groups, such as migrant peasant workers, unemployed workers, who have a disadvantage economic situation and do not have equal access to public resources including education, medical care, and pensions.

- **Cultural Pluralism**

Before China's open-up, collectivism, altruism, austerity were considered and promoted as the mainstream values. China's fast economic growth and transformation to an open society to the outside world have more profound impacts on its previously established social values. If there were a single-minded Chinese society dominated by the official Marxist-Leninist ideology promoted by the government, contemporary China is steadily moving to a society with "cultural pluralism". (Goldman 2006, p.439)

The development itself is a process of empowering of individuals. Particularly, the development of an open market is a process of decentralization that emphasizes the individual's initiative and self-motivation. As a consequence, individualism is gradually replacing collectivism and altruism. "Making money" becomes a justification instead of being a criticized motive. With the steady improving of living standards and growing individual income and purchasing power, the consumerism or materialism is gradually replacing the austerity. The new generation of Chinese, more than their parents, has

access to enjoy the products from all over the world. And the new generation of Chinese consumers are becoming more critical, not satisfied with the standard symbolic western brands such as MacDonald and Coca-Cola. Now nearly every high-end luxury brand has considered China as the next biggest potential market. Sometimes, materialism can be more obvious. One of my friends working in a Chinese investment bank told me a story during his interview of a CPA who wanted to work for his company. When my friend asked the interviewee's motivation for career change, the interviewee described the life of an investment banker he knew as "500 Versace ties in the closet, drives BMW in Beijing, Audi in Shanghai, and Land Rover in Shenzhen", and replied that who did not want that kind of life. The older generations, such as my parents, usually complain that the whole society has become more selfish with less care paid to each other. However, the younger generations, such as those born in late 1980s and 1990s, consider this is just the way of their life style.

Since its open-up in 1978, China has enjoyed and benefited from the diffusion of the western technology and management skills. At the same time, the influx of the western values, theories and living style has influenced Chinese society and Chinese people's values and way of living. And this trend is further enhanced by the popularization of the modern communication technologies in China. In year 2010, Michael Sandel, the Harvard political professor, was nominated as the "Most Influential Foreigners in Year 2010" by China Newsweek, a Chinese national and official media. His online seminars on Justice and Fairness have gained broad attention from Chinese people, especially the younger generations. Those Chinese audiences even translate his seminars into Chinese

and they are widely distributed over the internet. The Sandel Heat in China reflects the increasing demand of Chinese people for justice and fairness.

Facing the popularization of materialism in China, are Chinese people going to be pure economic animals or slaves becomes a big concern. Just as China's economic development model which is a mixture of two seemingly incompatible ingredients: strong government intervention and the market principle, the China society does not just passively embrace westernization. Traditional Chinese culture again plays an important role in filling the ideological vacancy. For instance, one book of Chinese scholar Yu Dan on interpreting the *The Analects of Confucius* (Lun Yu) has become one of the best sellers since 2007. As we discussed above, Chinese government also uses the ancient Chinese philosophy to restore social cohesion. And this reminds me of a recent article published (December 1st, 2011) in the Wall Street Journal written by Andrew Stern. In this article, he compared China's "government-led, growth-oriented reform" and the "conservative-preferred, free-market fundamentalist, shareholder-only" model in U.S., the latter he considered as "being thrown onto the trash heap of history in the 21st century" (Stern 2011). What interests me is not the article itself but the readers' comments listed below the article. Most of the readers disagree with this article and call for the reviving of the fundamental values and principles that helped the US to raise millions of Americans out of poverty, protect their basic rights, and bring them prosperous lives. I think that both Americans and Chinese have reasons to be proud of their own heritages in terms of history, cultures, unique market institutions and moral values that sustain their own civilizations. Those interdependent socio-economic factors can be described as the "Civilization DNA". If China's development in the last three

decades proves something, I would say that modernity does not have to be the same western-style modernity. While we appreciate the diversities between Civilization DNAs, we need to pay attention to how those DNA will mutate, especially towards the desirable results that we expect.

Twenty years ago, Francis Fukuyama made the argument that “liberal democracy may constitute the ‘end point of mankind’s ideological evolution’ and ‘final form of human government,’ and as such constitute the ‘end of history’” (Fukuyama 1992, p.8). But he also noted that “this was not to say that today’s stable democracies, like the United States, France, or Switzerland, were not without injustice or serious social problems. But these problems were ones of incomplete implementation of the twin principles of liberty and equality on which modern democracy is founded. ” (Fukuyama 1992, p.8) Now it turns out that the increasing inequality has imposed serious challenges to western modernity. When he returned to this topic, he admits the future is “more the variety of capitalism” and calls for the government’s effort to help the society to adjust to change, while still defending liberal democracy. (Fukuyama 2012) Value is an integral part of interests, both for an individual and a society. But the current situation is close to the situation described as “collision of civilization” (Huntington 1993) diverges with such a concept in the sense that countries such as China are adapting and transforming the economic and social practices from other countries with its own social and economic conditions and generating different forms of capitalism. Therefore, it is more closely related to the concept of “contested modernity” (Jacques 2009). Under the convergence of economic and social practices at a country-wide level, what is more important is to distinguish between the realism and idealism and find coherent and workable solutions to sustain

those values economically and politically. The abandonment of the ideological debates and political movements and return to the fundamentals made China survive and to learn and to adapt (Reforms) and by mixing different principles and mechanisms made China thrive. Looking beyond the economy, society, and culture, the future competition will be the competition between the ability to adapt and change by capitalizing on those unique Civilization DNAs.

Conclusion

- **Yang and Yin of China's Developments in Past Three Decades**

Sandel's popularity in China reflects the surging demands for justice and fairness, which I think are the natural "products" of the social and economic developments. Particularly, Sandel's moral reasoning and debating approach coincides with the traditional Chinese value narratives in which the moral plays a prominent role. Moreover, this popularity also reflects the resistances and reconciliations in China's developing process in the last three decades by blending domestic and foreign, historical and contemporary ingredients. Sen's framework about fairness and justice further emphasizes that fairness and justice is indeed a dynamic concept and the discussion of fairness and justice shall be confined to specific historical and cultural context. This is the reason that I discuss fairness and justice in contemporary China through an evolutionary and comparative approach. And from this evolutionary and cultural perspective, we can also gain a better understanding of the past and the prospect of China.

If I need to name one thing that is most difficult to explain to my American friends, I will choose the "Holism" in ancient Chinese philosophy. My American friends have a hard

time in understanding the transformations between the strong and weak, between the parts and the whole. Typical puzzling questions include why the part itself is the whole? How can one thing be both “strong” and “weak” at the same time? Why the “strong” and “weak” can change into each other in a seemingly endless cycle? I admit that those are really quite hard questions and the answers to those questions laid the foundation of Chinese philosophies. For instance, as a fundamental building block of traditional Chinese philosophy, Taoism believes “Yin (the feminine and dark and passive) alternates with yang (the masculine and light and active)” and uses Yin-Yang principle to describe “the relationship that exists between opposing but interpenetrating forces that may complete one another, make each comprehensible, or create the conditions for altering one into other” (Nisbett, 2009 p.69-70). The Yin-Yang principle does not mean to create a dichotomous view toward the world, e.g. what is white is white and what is black is black. Instead, traditional Chinese philosophy held a holistic view toward the world as consisting of interconnected substances undergoing continuous changes. Nothing is isolated but related to every other event. Nothing is static but a combination of contesting opposition and contradiction. What matters are context, interaction, change and how you can adapt to the changes.

If we go back to China’s development in the last three decades, it is clear that China’s transition is also generating the new normal as many problems that may in turn hamper the transition itself, while accomplishing remarkable achievements. The developments and the problems created or exacerbated by the developments are so intertwined and sometimes chaotic that it is tempting for me to discuss those interconnected yet countervailing forces embedded in China’s development by using this style of reasoning.

If we make the horizontal comparison between China and other major economies in the world, it is evident that China still manages to maintain its economic growth after the catastrophic 2008 financial crisis; and if we make the historical comparison, it is even clearer that China's achievements are tremendous: in terms of scale, speed, and the impacts. There is no comparable fast industrialization and modernization that has ever been accomplished in the whole human history; more importantly, China brings material changes to nearly one-seventh of the entire world population and enables them to enjoy more prosperous lives. And there is no convincing evidence that China's great transformation will encounter a "hard landing" in the near future. I consider those as the Yang of China's development. However, China has also encountered numerous problems during its development: sustainability of economic growth, unbalanced economic growth in different areas in China, increasing income inequality, rising living costs, incomplete social security and healthcare coverage, incompatible social and political developments, more ordinary Chinese people are getting richer but less happy. Some of those problems are so urgent and serious that they may endanger China's future transition if it fails to provide workable solutions promptly. I consider those as Yin of China's developments.

If we follow the Chinese reasoning pattern, the ensuing questions arising would be how will Yang and Yin transform and which side will be the dominant role? Compared with the histories of other developed countries, such as Britain and the US, it would be unrealistic to expect that China could escape the "Gilded Age Symptoms" during such unprecedented and drastic transformation. Those problems can be seen as transient problems related to the specific phase during the development. Whether Yang and Yin

will play the dominant role relies crucially on how to address the fairness and justice issues in contemporary China.

My personal judgment is optimistic, that is the Yang will play a dominant role in a foreseeable future. Recently, I go back to the Chinese official media, such as People's Daily and China Daily and use the "fairness and justice" as key word to conduct the search. It is obvious that the Chinese Communist Party and Chinese government have paid special attentions to those public salient issues, such as income inequality, housing, corruption, social security and healthcare system. The emerging consensus is that to develop the economy with emphasis on efficiency, and to develop the society with emphasis on fairness. What is more important, Chinese government has made tremendous efforts to address those inequalities including regional development and rural policies, policies to reduce the household income inequality. (Herd 2010)

The lessons that I learned from the cursory review of China's transition is change is the only way to survive and thrive in an increasingly interconnected world, because the competition among countries has already gone beyond the conventional one that is between industries or economies. It is a comprehensive competition at the broadest level, between different modernities. Conventional measurements, such as the economic growth and economic size still apply, but fairness and justice shall be important criteria to judge the different modernities. Modernity arises from changes and undergoes constant change as well. Therefore, a holistic view and coherent and workable solutions based on context will be key ingredients for a flourishing modernity.

REFERENCES

Amartya Sen (2009). *The Idea of Justice* (The Belknap Press of Harvard University Press Cambridge, Massachusetts, 2009).

Andy Stern (2011). "China's Superior Economic Model", *Wall Street Journal*, December 1, 2011.

<http://online.wsj.com/article/SB10001424052970204630904577056490023451980.html>

Andy Grove (2010), "How American Can Create Jobs?", *Business Week*, July 1, 2010.

http://www.businessweek.com/magazine/content/10_28/b4186048358596.htm

Charles Duhigg and Keith Bradsher (2012). "How the U.S. Lost on Out iPhone work?" *New York Times*, January 22, 2012, A1.

<http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?pagewanted=all>

Feng Zhijun (2005). *The Philosophy "Harmony"*, *People's Daily (Overseas Edition)*, March 23, 2005.

http://english.peopledaily.com.cn/200503/23/eng20050323_177974.html

Francis Fukuyama (2012). "The future of history: can liberal democracy survive the decline of the middle class?" *Foreign Affairs* 91.1(2012). Academic OneFile, Web. 1 Feb.2012.

Francis Fukuyama (1992). *The end of history and the last man*. (Free Press 1992).

Gideon Ros (2012). "Making modernity work: the reconciliation of capitalism and democracy". *Foreign Affairs* 91.1(2012). Academic One File, Web. 1 Feb.2012.

Gillian Tett (2010). "The Story of the BRICs" *Financial Times*, Published: January 15 2010. <http://www.ftchinese.com/story/001031000/en?page=1>

Gregory C Chow (2006). "Globalization and China's Economic Development". *Pacific Economic Review*, 11:3 pp.271-285.

Gregory C Chow (2010), *Interpreting China's Economy*. (World Scientific Publishing Co. Pte. Ltd. 2010).

Henry Kissinger (2011). *On China* (The Penguin Press, 2011).

Hu, Jin Tao (2005). Zai Shengbuji Zhuyao Lingdao Ganbu Tigao Goujian Shehuizhuyi Hexie Shehui Nengli Zhuanti Yantao Shangde Jianghua (Talk Delivered to Provincial Main Leading Cadres In Seminar about Enhancing Capacity to Build a Socialist Harmonious Society). *Renmin Ribao (People's Daily)*, 27/06/2005.

Hu, An. (2005). “*Envisaging China’s grand strategy: The ambitious goal of a prosperous people and a powerful nation*”. *Social Sciences in China*, Winter, p.87–99.

Huang, Bei Bei (2011). Six Principles for Promoting Equitable Development in China. *People’s Daily Online*, 07/29/2011
<http://english.peopledaily.com.cn/100668/102793/102811/7455536.html>

John K. Fairbank, Merle Goldman (2006). *China-A New History* (2nd ed. Ed.) (The Belknap Press of Harvard University Press Cambridge, Massachusetts, 2006).

Li, Qiang (2008). “The Evolution of Segmentation of China Society in Last 30 years Since the Reform and Open-Up”, *Beijing Social Science Study* 5 (2008).

Manuel Velasquez, Claire Andre, Thomas Shanks, S.J., and Michael J. Meyer (1990). “Fairness and Justice”, *Issues in Ethics* V3 N2 (Spring 1990).
<http://www.scu.edu/ethics/practicing/decision/justice.html>

Martin Jacques (2007). *When China Rules the World-The Rise of the Middle Kingdom and the End of the Western World* (Penguin Group, 2007).

Michael Sandel (2009). *Justice-What’s the right thing to do?* (Farrar, Straus and Giroux New York 2009).

Richard Herd (2010). “A Pause in the Growth of Inequality in China?” *OECD Economics Department Working Papers* No. 748, 2010.

Richard Nisbet (2003). *The Geography of Thought* (Free Press, New York, 2003), P50-52.

Samuel P. Huntington (1993). “The Clash of Civilization?” *Foreign Affairs* 72.3 (1993), p22-49.

World Bank, Development Research Center of the State Council, the People’s Republic of China, “*China 2030- Building a Modern, Harmonious, and Creative High-Income Society*”, (The World Bank 2012) http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/02/28/000356161_20120228001303/Rendered/PDF/671790WP0P127500China020300complete.pdf

World Trade Organization, *International Trade Statistics 2011*.
http://www.wto.org/english/res_e/statis_e/its2011_e/its11_toc_e.htm

APPENDIX

Figure 1

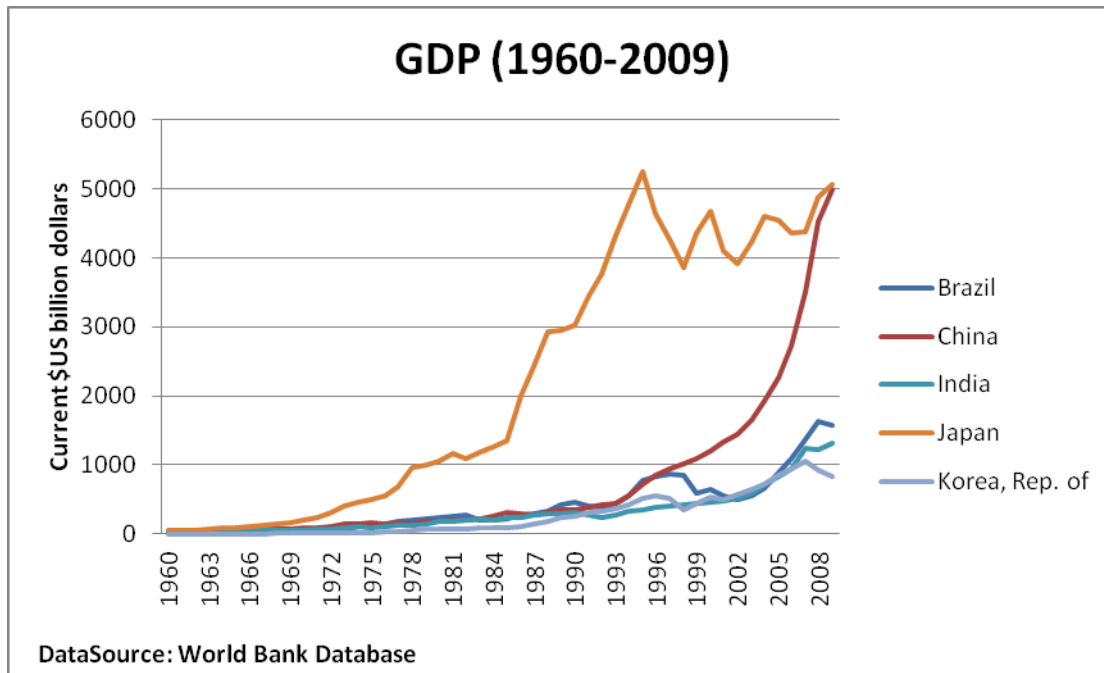


Figure 2

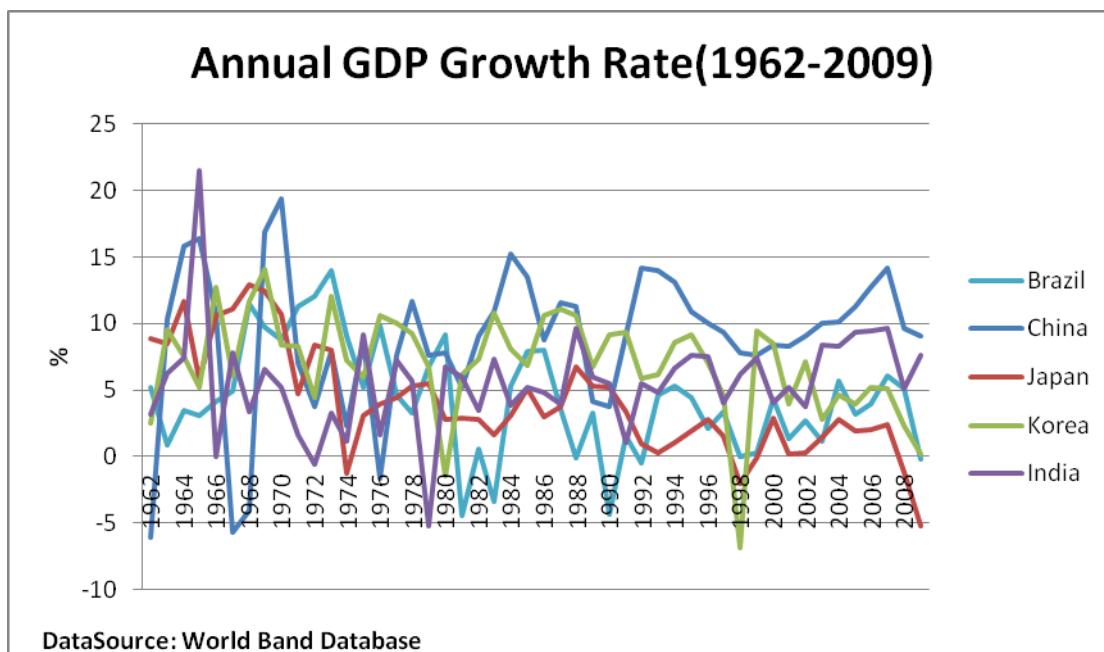


Figure 3

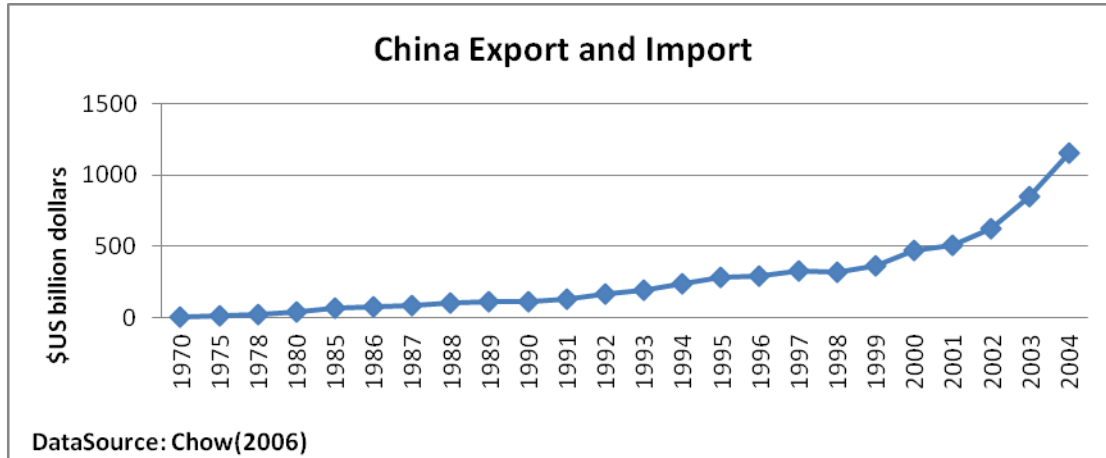


Figure 4

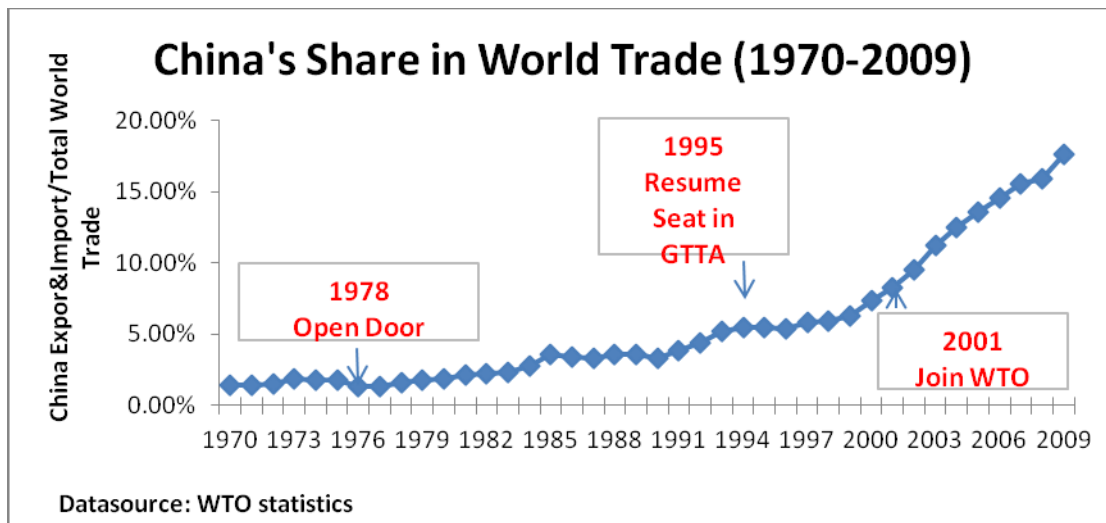


Figure 5

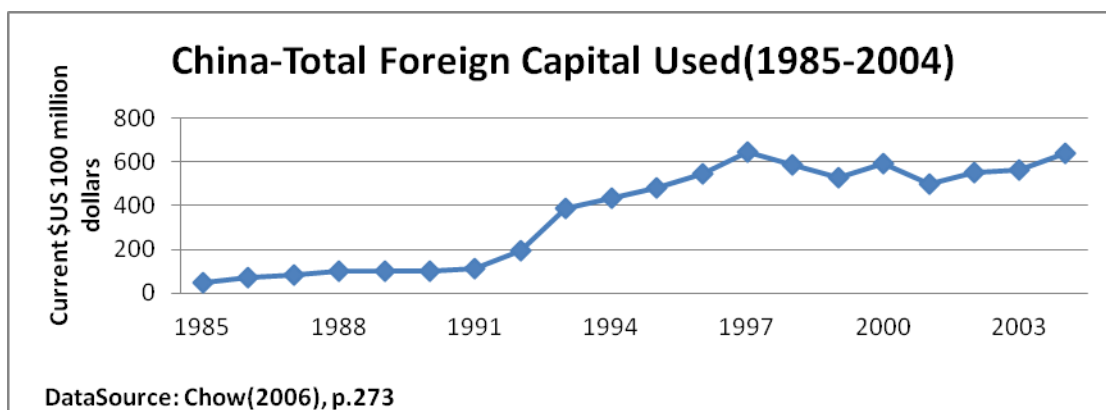


Figure 6

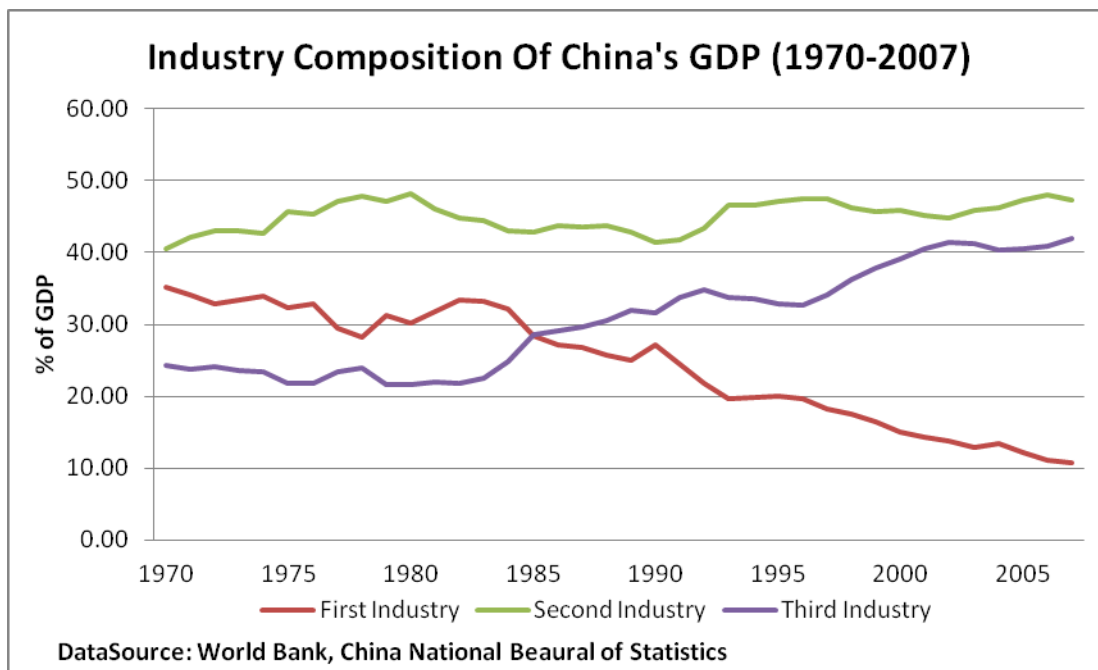


Figure 7

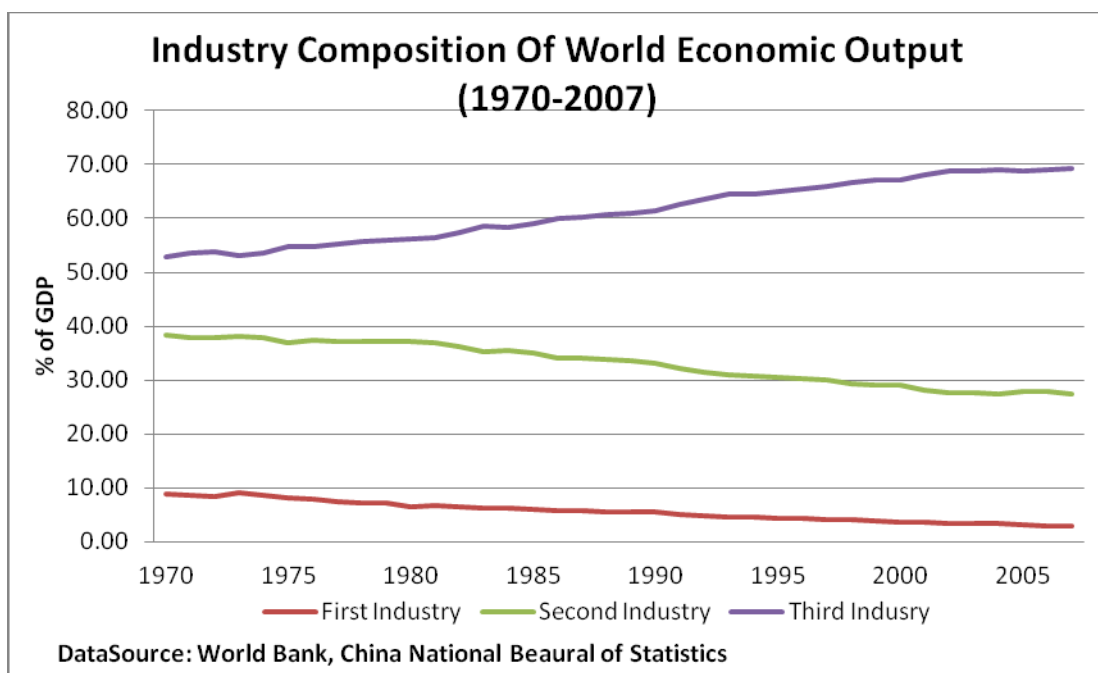


Figure 8

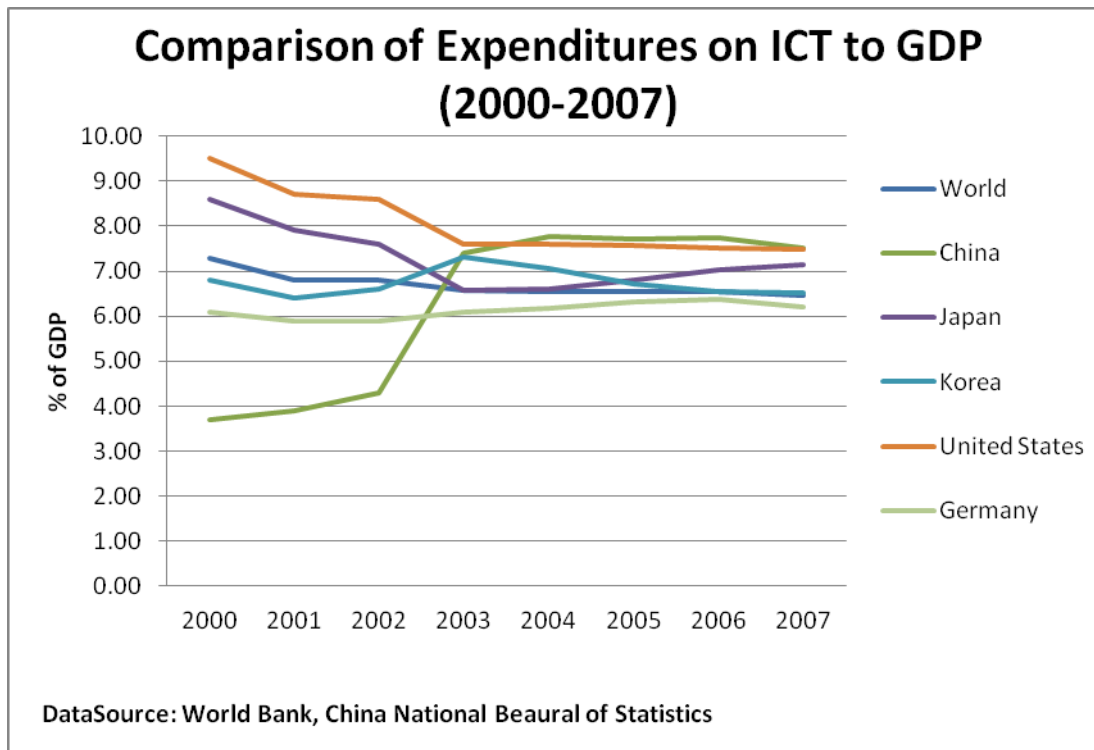


Figure 9

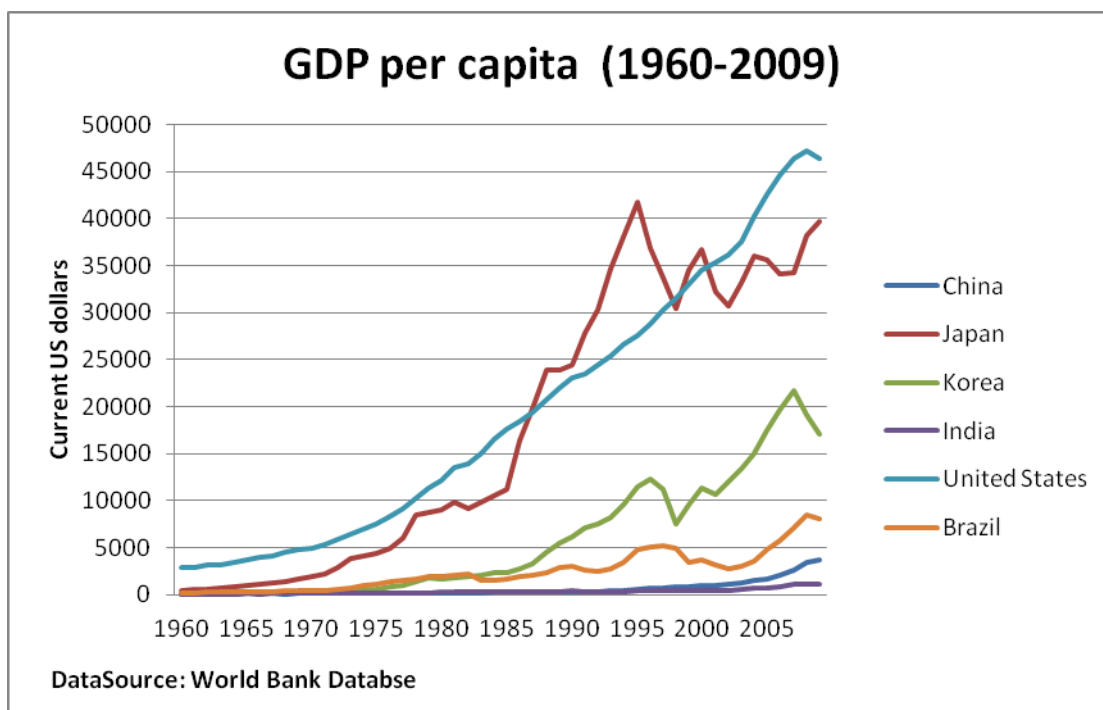


Figure 10

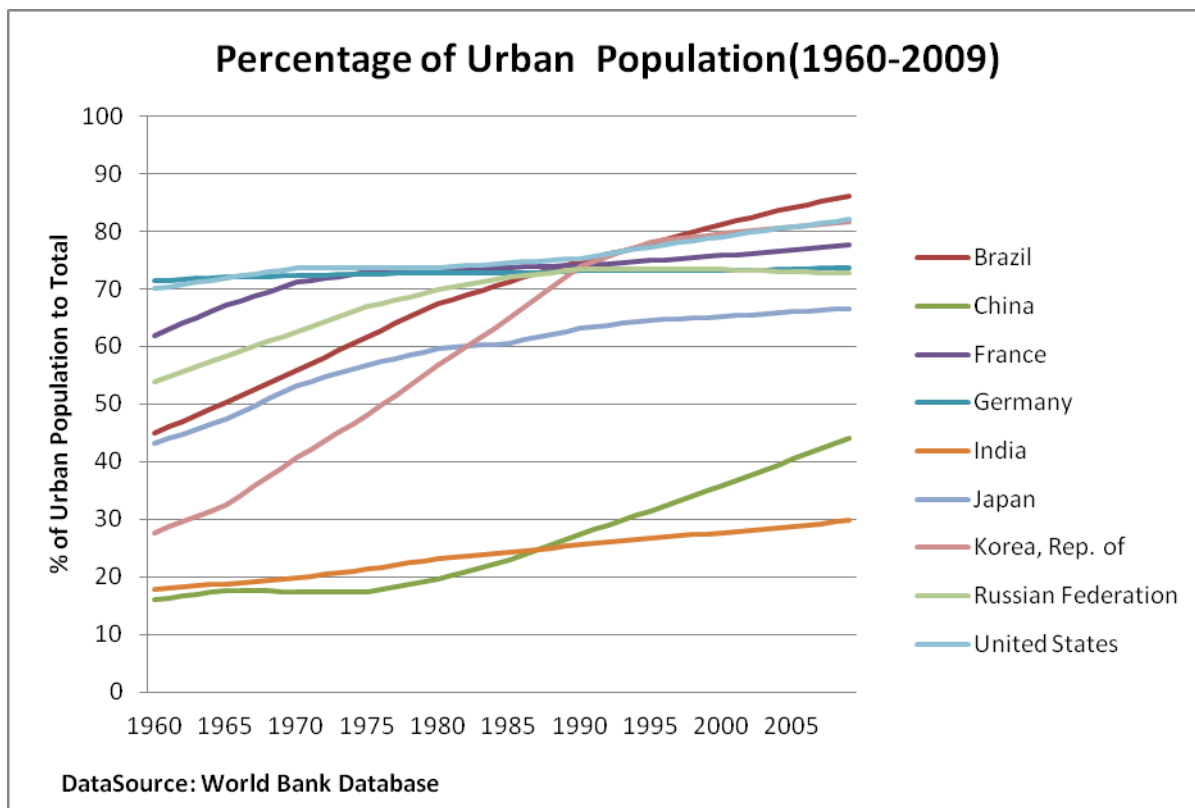


Figure 11

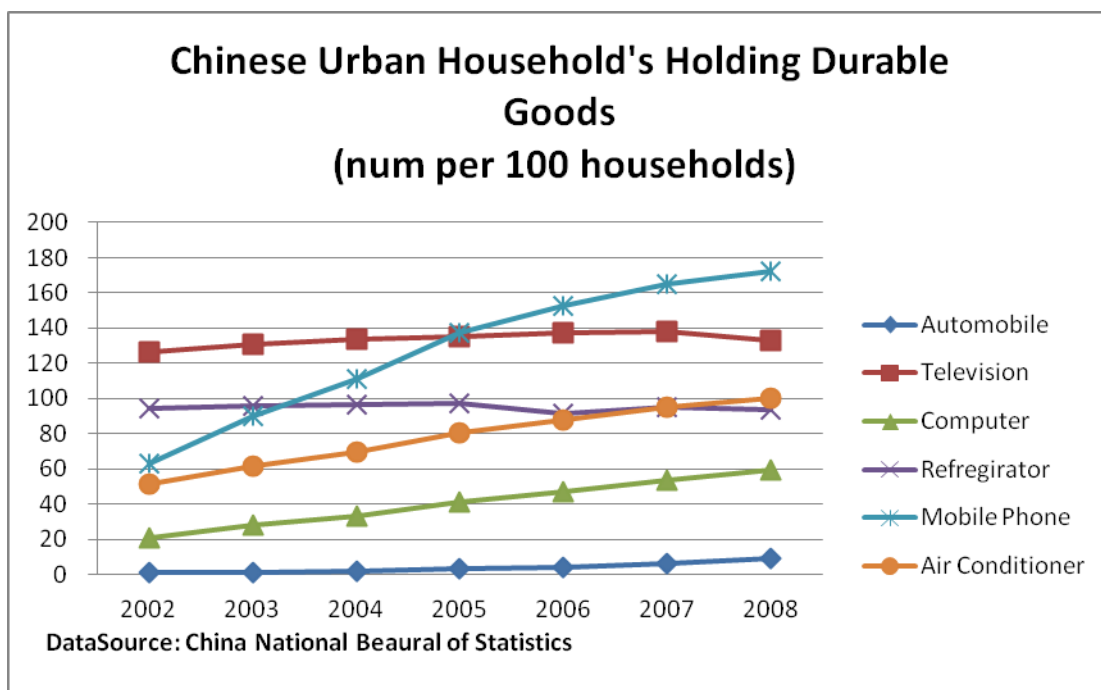


Figure 12

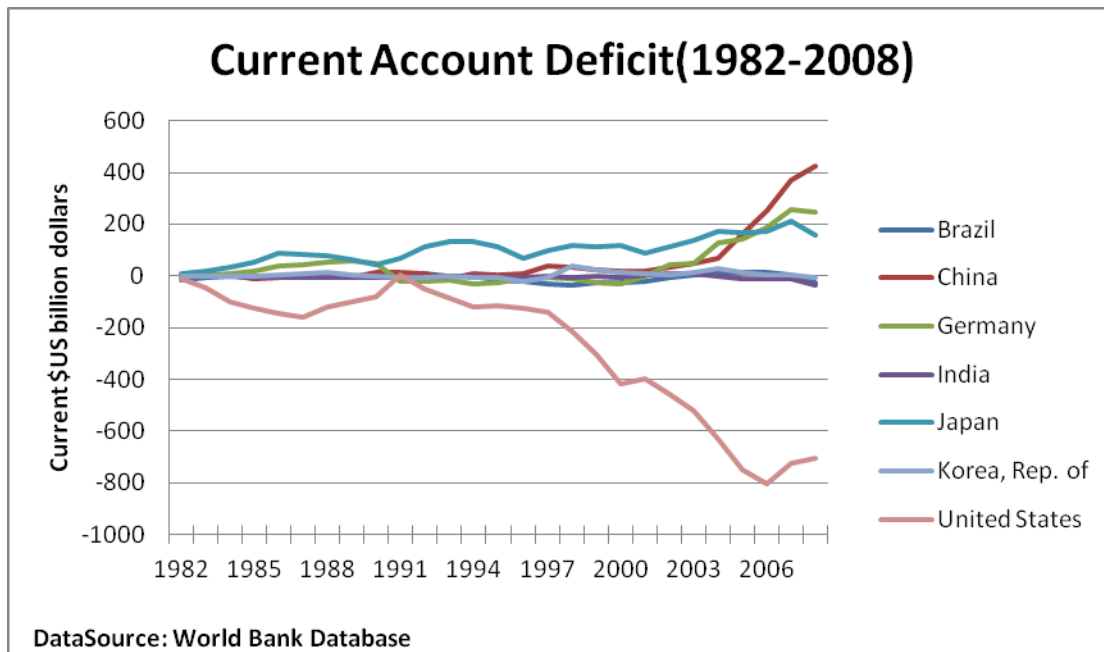


Figure 13

